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Poultry and Meat Prices

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Report Highlights:

The Russian government has taken steps to increase imports of meat as a way of managing inflation and increasing supply. In response, the Russian Ministry of Agriculture has complained that this policy undermines domestic meat producers. This volatile situation has meant significant price fluctuations in meat products, and import volumes that significantly exceed TRQ limits. Overall, prices have decreased from historic highs in 2005, but showed a gradual increase throughout 2006. There is a substantial price difference between domestically produced meat and imported products. Beef and poultry meat prices are forecast to increase in 2007 while pork prices are expected to remain flat.

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Executive Summary

Russia's meat and poultry import policies are often motivated by politics more than economics. In an attempt to keep inflation low and increase the availability of meat on the market, the Russian government reduced tariffs in late 2006 to out-of-quota imports of beef, and shifted quota allocations for pork and beef from exporting countries unable to use them to countries that do not have meat tariff rate quotas (TRQ). As a result, the volume of imported meat significantly exceeded official TRQ levels. In addition, in 2006 illegal imports of meat are estimated to have added an additional 300,000 metric tons (MT) to the supply. Together, these activities resulted in an overall decrease in the price of meat in Russia. Ministry of Agriculture officials complain that these activities undermine domestic meat production.

Domestic beef production in 2007 will continue to decline as investors look elsewhere for better and quicker profits, thus keeping beef prices high. Increasing beef and pork prices will likely lead many Russian consumers to substitute poultry for more expensive red meats. With rising demand for poultry in 2007, prices are expected to go up for both domestic and imported product although probably not to 2005 pre-avian influenza levels.

Trade

Meat and poultry import policies can sometimes be better explained by politics than by economics. The Russian government is particularly concerned with maintaining a low inflation rate. The Ministry for Economic Development and Trade (MEDT) and the Ministry of Finance both blamed the high price of meat as a primary driver of inflation in 2005. To keep inflation in check, and to preserve availability of meat on the domestic market, the Russian government has sought to ease market access by reducing the tariff on out-of-quota beef and reallocating meat import quotas from nations that cannot use them to other countries that do not have a TRQ (see GAIN Report RS-5084 for details on the meat TRQs). At prevailing prices even imports of beef and pork at the out-of-quota tariff rate are profitable. This is particularly the case for beef, since the Russian government temporarily reduced the out-of-quota duty on beef imported in 2007 to 30% *ad valorem*.

As a result, the volume of imported meat now significantly exceeds TRQ limitations. Minister of Agriculture Aleksey Gordeyev recently accused imported meat of driving down farmgate pork prices, and expressed the need for serious measures to limit meat imports. While he did not specify any precise actions, he promised in March on national television to put an end to "excess" meat imports within one to two months. Other sources indicate a major cause of concern is the potential for weakening pork prices to harm the ability of new hog producers financed under the National Priority Project for agriculture to repay their loans (see GAIN report RS-7020).

Weaknesses in border control have also contributed to the meat supply. In a March 7, 2007, meeting with President Putin, Minister Gordeyev asserted that approximately 300,000 MT of meat was illegally imported into Russia as a direct result of lax border enforcement. He also stated that higher import volumes from the E.U., the U.S. and Canada are undermining Russian meat producers.

Poultry Prices

Poultry meat prices fluctuate due to the following factors:

- Variable import volumes and inconsistent TRQ policies,

- Epizootic situation in Russia and abroad (mainly consumer reaction to outbreaks of avian influenza),
- Growing domestic poultry production, and
- Seasonal demand fluctuations.

Wholesale Prices

The price of domestic chicken leg quarters, the most popular product on the poultry market, started increasing after the imposition of a poultry quota in May 2003. By 2005, the price of domestic chicken leg quarters had increased by over 50%. The avian influenza outbreak in Russia during the summer of 2005 reduced the demand for poultry, and prices began to drop accordingly. Prices were RUR 67/kilo in June 2005 and decreased to a low of RUR 54/kilo in September 2006, at which point poultry prices began to recover. The January 2007 price of chicken leg quarters was RUR 60/kilo, but the price dipped again slightly in February due to another outbreak of avian influenza in Moscow and other regions of Russia.

Prices for imported chicken leg quarters were subject to the same trends. They increased from RUR 34/kilo in June 2003 to RUR 60/kilo in September 2005. This was followed by a price decrease in which prices bottomed out at RUR 42/kilo in November 2006 and then increased to RUR 45/kilo in January 2007.

The price differential between domestic and imported chicken leg quarters was usually substantial, and general hovered around RUR 5-20/kilo. The increase in domestic poultry prices, combined with relatively stable import prices, increased this gap to between RUR 13-18/kilo between September 2006 and January 2007.

Red meat generally falls into one of three price categories: cheap imported meat, mid-priced frozen imported and domestic meat, and high-end domestic chilled and imported frozen meats. The primary determining factor in these categories appears to be the country of origin. The cheaper imported meat is likely to be the result of over-quota shipments, or illegal imports. Average and high-end meats may be similar in cut, but have variations in quality. Beef prices remained relatively high due to limited supply, while large volumes of imported pork resulted in significant price reductions.

**Table 1. Moscow Wholesale Poultry Meat Prices, April 2003 – February 2007
(RUR/kilo)**

Date	Exch. Rate, RU/\$	Domestic Chicken			Imported Chicken		
		Frozen carcasses	Frozen breast, boneless	Frozen leg quarters	Frozen carcasses	Frozen breast, boneless	Frozen leg quarters
04/30/2003	31.10	41.77	55.67	44.50	41.90	56.38	34.42
06/30/2003	30.35	49.07	59.32	49.50	48.27	73.08	39.77
09/30/2003	30.61	59.96	108.00	61.09	58.58	107.77	45.45
12/30/2003	29.25	56.02	93.33	60.63	55.65	88.32	45.39
03/31/2004	28.49	54.07	84.50	52.50	52.51	80.30	44.96
06/30/2004	29.03	52.80	82.50	50.32	45.94	84.45	42.94
09/30/2004	29.22	49.62	90.25	47.82	44.20	89.77	43.76
12/29/2004	27.78	50.17	90.08	52.24	49.34	89.98	42.28
03/30/2005	27.83	61.42	85.00	56.10	63.17	87.33	54.66
06/30/2005	28.67	69.35	93.00	67.13	68.56	93.75	56.60
09/30/2005	28.50	65.19	98.00	63.07	66.64	107.38	60.14
10/30/2005	28.42	62.90	96.75	65.52	62.76	103.17	55.67
11/30/2005	28.73	59.97	96.50	58.91	60.81	98.60	51.08
12/30/2005	28.75	53.64	95.00	57.50	56.27	97.08	48.93
01/30/2006	28.02	52.90	94.92	54.57	60.86	98.21	46.08
02/28/2006	28.16	49.39	94.82	57.00	57.29	100.51	42.88
03/30/2006	27.76	48.56	91.82	53.42	52.54	102.38	43.23
04/30/2006	27.47	46.71	94.77	52.03	46.88	100.79	44.74
05/30/2006	27.07	47.01	94.02	55.50	49.09	100.84	46.80
06/30/2006	27.08	47.51	95.60	56.33	46.51	94.83	46.21
07/03/2006	26.76	51.16	96.80	56.00	46.50	91.42	43.36
08/31/2006	26.74	54.94	94.82	53.33	48.08	90.60	43.10
09/28/2006	26.79	57.94	93.35	54.00	54.68	92.28	41.92
10/26/2006	26.90	58.93	96.80	58.33	58.03	94.78	45.25
12/07/2006	26.19	60.42	95.22	59.00	62.62	96.67	41.75
12/28/2006	26.34	58.58	94.82	60.67	63.53	91.50	42.89
01/25/2007	26.49	60.01	95.80	60.28	62.40	97.00	45.32
02/22/2007	26.20	57.79	97.50	56.20	61.37	109.33	49.03

Source: Institute of Agrarian Market Research (IKAR)

Prices for U.S. Chicken Leg Quarters

April 2006	RUR 42.93/kilo
May 2006	RUR 44.54/kilo
June 2006	RUR 44.50/kilo
July 2006	RUR 40.60/kilo
August 2006	RUR 39.90/kilo
September 2006	RUR 38.60/kilo
October 2006	RUR 41.67/kilo
November 2006	RUR 38.00/kilo
December 2006	RUR 40.00/kilo
January 2007	RUR 41.83/kilo
February 2007	RUR 46.80/kilo

Poultry Retail Prices

The most significant factor influencing poultry prices is the brand name of the producer. Price differentials between a well-known brand and a provincial label can reach 50-70 percent.

Table 2: Poultry Retail Prices, Moscow (RUR/kilo)

	Moscow open-air market		Moscow hypermarket (Auchan)		Odintsovo farmers' market	
	Chilled	Frozen	Chilled	Frozen	Chilled	Frozen
Chicken						
Whole birds	69-80	60-75	69-85	60-80	70-90	58-79
Leg quarters, bone-in	70-95	60-70	70-80	60-65	104-111	47-77
Leg quarters, boneless	90-120	n/a	90-140	n/a	160-195	n/a
Breasts	88-130	n/a	90-140	n/a	107-129	78-101
Drumstick	85-115	75-85	80-110	75-90	79-120	75-85
Thigh	85-115	75-90	80-110	70-85	75-100	65-85
Wings	70-95	80-105	75-100	70-100	80-120	75-100
Breast Filet	110-190	105-125	120-200	110-140	135-205	93-138
MDM	100-130	n/a	118-230	n/a	110-140	n/a
Goose, whole birds	180	160	n/a	150	220	140
Turkey						
Filet, breasts	250	180	160-248	n/a	240	n/a
Drumstick, bone-in	95	n/a	95	n/a	100	n/a
Thigh, bone-in	100	n/a	99	n/a	95	n.d
Drumstick, boneless	125	n/a	134-146	120	135	120
Cuts, boneless	n/a	n/a	n/a	n/a	n/a	129
MDM	n/a	n/a	195	n/a	n/a	n/a
Steak	n/a	n/a	248-278	n/a	n/a	n/a
Duck	170	140	n/a	n.d	180	150

n/a: not available

Source: Post market survey, March 21-22, 2007

Red Meat Prices

Red meat prices were also subject to significant fluctuations as a result of epizootic situations in exporting countries, varying levels of domestic production and changing import volumes.

The price of domestic beef carcasses increased from RUR 47/kilo to RUR 94/kilo after the TRQ was introduced in 2003. Domestic pork prices increased from RUR 42/kilo to RUR 89/kilo. Imported red meat prices also increased: beef rose from RUR 49/kilo to RUR 100/kilo and pork increased from RUR 49/kilo to RUR 92/kilo.

Table 3: Russian Beef and Pork Wholesale Prices (Offer Prices), Half Carcass, April 2003 – February 2007 (RUR/kilo)

Date	Exchange rate, ruble/\$	Domestic beef	Imported beef	Domestic pork	Imported pork
04/30/2003	31.10	48.00	46.35	40.25	44.62
06/30/2003	30.34	47.00	49.45	42.51	49.00
09/30/2003	30.61	58.00	52.75	51.33	61.60
12/30/2003	29.25	51.00	54.96	52.50	53.89
03/30/2004	28.49	66.00	67.05	55.17	55.05
06/30/2004	29.03	64.50	65.99	64.33	76.05
09/30/2004	29.22	66.75	70.50	87.50	86.86
12/29/2004	27.78	72.00	81.17	83.50	84.12
03/30/2005	27.83	85.00	83.15	79.50	81.53
06/30/2005	28.67	82.02	81.28	76.67	78.24
09/30/2005	28.50	83.33	85.37	82.00	85.76
10/30/2005	28.42	84.10	85.87	84.50	84.76
11/30/2005	28.73	82.92	85.88	81.50	84.41
12/30/2005	28.75	81.00	85.41	85.00	88.10
01/30/2006	28.02	89.38	88.17	89.00	89.33
02/28/2006	28.12	88.60	88.56	85.14	92.01
03/30/2006	27.80	100.88	100.67	87.00	88.58
04/30/2006	27.36	102.25	100.79	83.63	91.11
05/30/2006	27.07	100.19	100.11	86.20	92.99
06/30/2006	27.08	97.25	96.33	85.62	91.33
07/30/2006	26.84	96.30	96.98	88.05	86.42
08/30/2006	26.74	95.00	100.25	86.00	86.75
09/30/2006	26.78	99.38	97.89	82.50	87.56
10/30/2006	26.79	99.23	96.01	83.15	86.49
11/30/2006	26.31	95.21	94.74	76.00	84.51
12/30/2006	26.38	85.00	91.83	74.50	88.89
01/30/2007	26.57	94.05	91.09	78.00	83.13
02/28/2007	26.16	86.55	84.00	67.00	80.46

Source: Institute of Agrarian Market Research (IKAR)

Retail Prices

Imports of over-quota pork put significant downward pressure on retail prices. Pork prices generally fall into three price categories: cheap imported frozen pork imported meat, mid-priced frozen imported and domestic meat, and high-end domestic chilled and imported frozen meats. The determining factor in these categories appears to be the country of origin. The cheaper imported meat is likely to be the result of over-quota shipments, or illegal imports. Average and high-end meats may be similar in cut, but have variations in quality.

Pork prices at selected retail sales points in Moscow in March 2007 were as follows:

- | | |
|-----------------------------------------|----------------------|
| 1. low-priced imported frozen pork | RUR120- 160/kilogram |
| 2. low-priced domestic frozen pork | RUR120- 170/kilogram |
| 3. medium-priced imported frozen pork | RUR140- 190/kilogram |
| 4. high-end domestic fresh/chilled pork | RUR160- 220/kilogram |

Beef Prices

A limited supply of beef, both domestic and imported, kept beef prices more stable than poultry and pork.

Table 4: Red Meat Retail Prices, Moscow (RUR/kilo)

	Moscow open-air market		Moscow hypermarket (Auchan)		Odintsovo farmers' market	
	Chilled	Frozen	Chilled	Frozen	Chilled	Frozen
Pork						
Boneless	160-180	130-160	180-285	140-160	150-170	135-150
Bone-in	130-170	110-150	170-190	110-140	135-160	115-145
MDM	n/a	n/a	140	n/a	n/a	n/a
Beef						
Boneless	180-200	160-180	190-300	150-220	170-230	160-220
Bone-in	140-180	120-155	150-190	125-160	140-200	120-165

n/a: not available

Source: Post market survey, March 21-22, 2007

Meat Price Forecast

At the end of 2006 beef and pork imports shot up dramatically as importers made large purchases to filled their quotas. In addition, the Ministry of Economic Development and Trade announced quota allocations on time, which led to strong import volumes in early 2007. As a result, beef and pork prices should remain low until current large meat stocks return to normal levels. When that happens, pork prices will likely flatten out as growing domestic consumption keeps pace with growing domestic production.

Flat farmgate pork prices in 2007 will harm the ability of new pork producers who received financing under the National Priority Project for agriculture to repay their loans. This will lead in turn to a contraction in pork output as marginal producers leave the market. In turn, it is likely that domestic pork prices will then rebound in 2008. In the meantime, local producers will continue to exert pressure on the Ministry of Agriculture somehow to regulate cheaper imported product as the Ministry of Economic Development and Trade simultaneously strives to keep prices down.

Domestic beef production in 2007 will continue to decline as investors look elsewhere for better and quicker profits, thus keeping beef prices high. Increasing beef and pork prices will likely lead many Russian consumers to substitute poultry for more expensive red meats. With increasing demand for poultry in 2007, prices are expected to go up for both domestic and imported product, although probably not to 2005 pre-avian influenza levels.